



The Foundation for Young Australians + Tomorrow Movement

A liveable income for all

March 2021

Executive Summary

The Tomorrow Movement and the Foundation for Young Australians (FYA) welcome the opportunity to provide policy analysis and recommendations to the Community Affairs Legislation Committee inquiry (Inquiry) into the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021 (Bill).

JobSeeker, Youth Allowance and other income support payments were a lifeline for many during COVID-19, and the addition of the Coronavirus Supplement in April 2020 meant that the rates were liveable. This submission highlights the following:

1. **The post COVID-19 reality of the labour market for young people:** The labour market was weak prior to the global pandemic, with almost one in three un or underemployed. COVID-19 and the resulting recession disproportionately impacted young people and their employment prospects have not recovered in line with other age brackets.
2. **The proposed rates of payment are below the poverty line:** The proposed rates of JobSeeker and Youth Allowance are substantially below the poverty line and are the second lowest rates of payment in Organisation for Economic Co-operation (OECD) countries.
3. **There should be no age based discrimination in how income support payments are indexed:** The way JobSeeker and Youth Allowance increase over time to reflect increased costs of living should be aligned to other income support payments (such as the age pension) to ensure the rates of payment do not fall behind other cohorts.
4. **The Senate Committee should hear from young people:** Young people have been disproportionately impacted by COVID-19 and this will be exacerbated by the proposed changes in the Bill.
5. **Conditional income support does not increase employability:** Mutual obligation requirements such as reporting and employer hotlines do not increase employability. Funding should be redirected to focus on employment supports that work and increase long-term employability of young people.
6. **The Australian Government needs to invest in effective and sustainable job creation:** There are currently more job seekers than jobs available. Direct investment in job creation that transitions Australia to a green economy through a Climate Jobs Guarantee is critical.

Summary of recommendations

The Tomorrow Movement and FYA recommend that the Senate Committee take the following actions in relation to the Bill:

1. Recommend that the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021 (Bill) be amended to restore JobSeeker, Youth Allowance and other income support payments to the amounts paid between April and September 2020, above the poverty line (i.e. at least \$550 per week).
2. Recommend that the Bill be amended to ensure that the rates of JobSeeker, Youth Allowance and other income support payments are indexed appropriately in line with living costs (i.e. in the same way as the age pension) to ensure that these payments do not fall below the cost of living.
3. Hold hearings to hear direct witness testimony from young people receiving JobSeeker and Youth Allowance payments.

We recommend that the Committee also consider recommending that the Australian Government:

4. Replace conditional welfare schemes such as mutual obligation requirements with youth-specific employment supports that leads to people finding secure work separate from receiving a livable income.
5. Commit to a Climate Jobs Guarantee to meet the dual challenges of effective job creation for young people and sustainably transitioning our energy system.

1. Post-COVID labour market reality for young people

Young workers were already entering a weak labour market pre-COVID-19

Young people's career trajectories and working futures were shifting from previous generations even prior to COVID-19. A weak labour market, prevalent since the Global Financial Crisis,¹ has led to a number of worrying trends for young people entering the workforce:

- **High youth underutilisation:** Almost one in three young people were unemployed or underemployed prior to COVID-19.²
- **Increase in casual full-time work:** Since 1992, the number of young people (15-24) in casual full-time employment has more than doubled.³
- **Growth of the gig economy workforce:** Since 2016, the gig economy workforce is estimated to have grown by 340% with young people (under 35) making up over 50% of this workforce.⁴
- **Experiences of wage theft:** Young people are disproportionately exposed to issues of wage theft as demonstrated by several major cases during 2019.⁵
- **Low or zero wage growth for young workers:** Young workers aged 20-34 experienced nearly zero growth in real wage rates from 2008 to 2018.⁶

COVID-19 exacerbated inequalities in the labour market

COVID-19 has impacted every element of young people's working lives. In 2020, young people were disproportionately exposed to the risks of job losses and are likely to feel the impact of the pandemic for the next decade in their careers.⁷

- **Disproportionate job losses:** Young people were overrepresented in some of the industries hardest hit by COVID-19. For 15-19 year-olds, the accommodation and food services sector provides employment for more than 35% of young working people. For 20-24 year-olds retail trade, at 18%, and accommodation and food services, at 15%, are the two biggest industry employers.⁸
- **Job losses concentrated on casual work:** Analysis during COVID-19 highlighted that the number of casual jobs in small business had fallen 25% between the first week of March and the last week of April, compared to 2% for full time and 5% for part time jobs.⁹
- **Scarring effects may linger for a decade:** Insights from previous recessions show that young people may experience scarring effects in the labour market for up to a decade resulting in lower wages, higher likelihood of overqualification for jobs and higher rates of unemployment and underemployment.¹⁰

¹ Productivity Commission (2020), "Climbing the jobs ladder". Available at: <https://www.pc.gov.au/research/supporting/jobs-ladder>

² Foundation for Young Australians (2018), "The New Work Reality". Available at: <https://www.fya.org.au/report/the-new-work-reality/>

³ *ibid.*

⁴ Foundation for Young Australians (2020), "The New Work Standard". Available at: <https://www.fya.org.au/report/the-new-work-standard/>

⁵ See Young Workers Centre (2019) for more information: <https://youngworkerscbr.org.au/2020/01/2019-a-crisis-year-for-wage-theft/>

⁶ Productivity Commission (2020), "Climbing the jobs ladder".

⁷ *ibid.*

⁸ Foundation for Young Australians (2020), "The New Work Standard".

⁹ *ibid.*

¹⁰ Productivity Commission (2020), "Climbing the jobs ladder".

The labour market has not recovered for young people

Although Australia's economy is well on the way to recovery across a range of domains, young people are still experiencing high levels of unemployment and underemployment, and are disproportionately represented in insecure work.

- **Not enough jobs:** There is currently only 1 job for every 9 people searching.¹¹
- **Long-term unemployment:** Research shows that the longer people are unemployed, the longer they are likely to remain so.¹²

Alongside providing a liveable income for all people in Australia, the Government also needs to invest in sustainable job creation so that young people do not bear the brunt of this recession for the next decade.¹³ Everyone, whether they work or not, is entitled to the dignity of a living income and the support they need.

2. No one should be living below the poverty line in Australia

"Young people shouldn't have to choose between going to the doctor or paying their rent. We shouldn't be living on rates lower than the current poverty level." Tiana, recipient of JobSeeker - aged 21

Proposed rates of JobSeeker and Youth Allowance are not liveable

There are currently 457,000 young people (under 25) on JobSeeker and Youth Allowance in Australia.¹⁴ The Bill proposes rates of JobSeeker and Youth Allowance that are the equivalent of \$44.35 and \$36.60 per day respectively, substantially below the poverty line.¹⁵ If these changes go ahead from April 1 the rate will be 41% of the minimum wage, this is the same as 2007.¹⁶

This cut from the rate of JobSeeker with the Coronavirus Supplement (around \$80 per day) will put Australia far below most developed and progressive economies in the world in terms of unemployment benefits. In fact, Australia will have the second lowest rate in the Organisation for Economic Co-operation (OECD), only ahead of Greece (see figure 1 for further detail).¹⁷

¹¹ ACOSS (2021), "ACOSS calls on Government to do the right and smart thing on JobSeeker ahead of expected decision." Available at: https://www.acoss.org.au/media_release/acoss-calls-on-government-to-do-the-right-and-smart-thing-on-jobseeker-ahead-of-expected-decision/

¹² Anglicare (2020), "Jobs Availability Snapshot". Available at: <https://www.anglicare.asn.au/docs/default-source/default-document-library/2020-jobs-availability-snapshot.pdf?sfvrsn=4>

¹³ See recommendations from FYA's New Work Standard report for recommendations on job creation at: Foundation for Young Australians (2020), "The New Work Standard". Available at: <https://www.fya.org.au/report/the-new-work-standard/>
See recommendations from the Brotherhood of St Laurence's (BSL) report on transforming the employment system for young people: BSL (2020), "Seizing the opportunity." Available at: http://library.bsl.org.au/jspui/bitstream/1/11908/7/BSL_Youth_employment_fwkw_2020.pdf

¹⁴ Australian Bureau of Statistics (2021), "DSS Payment Demographic Data". Available at: <https://data.gov.au/data/dataset/dss-payment-demographic-data/resource/0429d083-d8d2-4fff-bc75-f9100e1723ad>

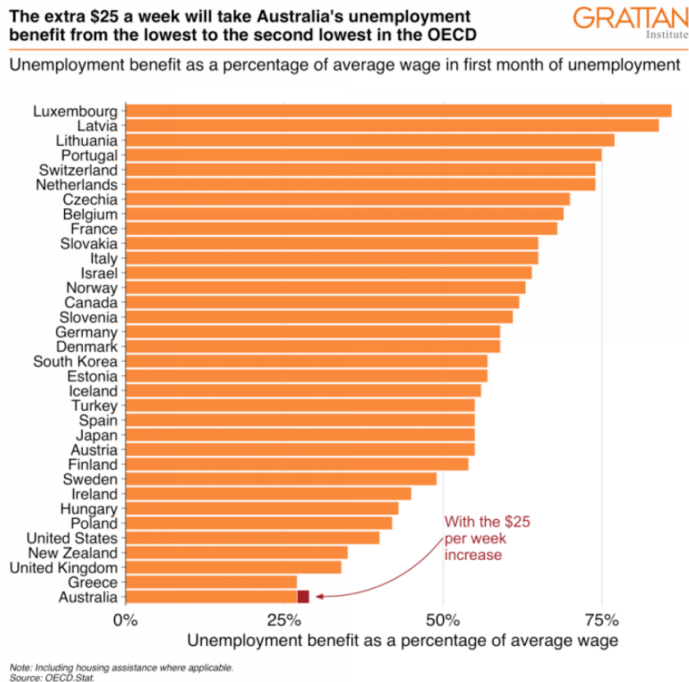
¹⁵ Rates referenced are for a single person, living without dependents, and out of home or independent for Youth Allowance.

Grattan Institute (2021), "Now is an especially bad time to cut unemployment benefits". Available at: <https://grattan.edu.au/news/now-is-an-especially-bad-time-to-cut-unemployment-benefits/>

¹⁶ Grattan Institute (2021), "Now is an especially bad time to cut unemployment benefits".

¹⁷ *ibid.*

Figure 1 - Unemployment Benefits across the OECD



Source: Grattan Institute (2021), "Now is an especially bad time to cut unemployment benefits". Available at: <https://grattan.edu.au/news/now-is-an-especially-bad-time-to-cut-unemployment-benefits/>

At this rate of payment young people will struggle to pay for basics like food and rent. They are already increasingly locked out of rental markets, with analysis showing that 0% of rental listings are affordable for young people on JobSeeker and Youth Allowance at pre-COVID rates.¹⁸

At the beginning of COVID-19 with the introduction of the Coronavirus Supplement in April 2020 (see figure 2), people on income support payments were more effectively able to cover their living costs. With the increased rate of income support payments (the addition of the coronavirus supplement brought the rate to approximately \$80 a day), 80% of people reported using the additional income to cover household bills, and 60% reported using it for groceries.¹⁹

¹⁸Anglicare (2020), "Special Release: Rental Affordability Update." Available at: <https://www.anglicare.asn.au/docs/default-source/default-document-library/special-release-rental-affordability-update.pdf?sfvrsn=4>

¹⁹ABS (2020), "Household Impacts of COVID-19 Survey Results." Available at: <https://www.abs.gov.au/statistics/people/people-and-communities/household-impacts-covid-19-survey/latest-release#stimulus-payments>

Figure 2 - Timeline of Key Changes to the Coronavirus Supplement

27 Apr 2020	25 Sept 2020	1 Jan 2021	1 Apr 2021
Introduction of the Coronavirus Supplement Eligible income support recipients received \$550 per fortnight.	\$300 cut to the Coronavirus Supplement Eligible income support recipients received \$250 per fortnight.	Further \$100 cut to the Coronavirus Supplement Eligible income support recipients received \$150 per fortnight.	Current end date of the Coronavirus Supplement Income support recipients will receive no additional support.

Source: DSS (2020), "Government response to Coronavirus". Available at: <https://guides.dss.gov.au/guide-social-security-law/coronavirus>

Young people need a liveable income to look for work

Looking for work takes time and costs money, and can be difficult for young people experiencing high levels of financial stress. The OECD has found that higher income support payments means less financial stress and as a result a higher ability to commit to job searching and pay for transport, clothing and other costs for job interviews.²⁰ The report also highlighted that the rate of Newstart had fallen to the point where questions could be asked about its "effectiveness in providing sufficient support for those experiencing a job loss, or enabling someone to look for a suitable job."²¹

Mental health impacts of financial stress are too high

Living below the poverty line can have devastating impacts across people's lives, including:

- Housing instability due to inability to make rental payments;
- Exacerbating existing intersecting crises such as family violence or homelessness; and
- Increasing the risk of death by suicide.²²

The compounding impact of financial stress and flow-on consequences also has grave mental health impacts. Research has found that poverty and inadequate income substantially increase the risk of depression and psychological distress.²³ This is particularly concerning as we recover from the COVID-19 pandemic which has had a detrimental impact on young people's mental health and wellbeing.²⁴

²⁰ OECD (2010), "Survey of Australia". Available via The Conversation at: [https://cdn.theconversation.com/static_files/files/1345/Extract from OECD 2010 Survey of Australia.pdf?1606449879](https://cdn.theconversation.com/static_files/files/1345/Extract_from_OECD_2010_Survey_of_Australia.pdf?1606449879)

²¹ *ibid.*

²² ACOSS (2020), "Briefing paper on impact of financial distress on mental health". Available at: https://www.acoss.org.au/wp-content/uploads/2020/09/2020_08_28_ACOSS-Briefing-Paper_Impact-of-financial-distress-on-mental-health-re-COVID-19-2.pdf

²³ ACOSS (2020), "Briefing paper on impact of financial distress on mental health". Available at: https://www.acoss.org.au/wp-content/uploads/2020/09/2020_08_28_ACOSS-Briefing-Paper_Impact-of-financial-distress-on-mental-health-re-COVID-19-2.pdf

²⁴ headspace (2020), "Insights: Youth mental health and wellbeing overtime - headspace National Youth Mental Health Survey 2020". Available at: <https://headspace.org.au/assets/Uploads/Insights-youth-mental-health-and-wellbeing-over-time-headspace-National-Youth-Mental-Health-Survey-2020.pdf>.

RECOMMENDATION 1

Recommend that the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021 be amended to restore JobSeeker, Youth Allowance and other income support payments to the amounts paid between April and September 2020, above the poverty line (i.e. at least \$550 per week).

3. Age based discrimination in indexation of income support payments

In addition to the rate of payment not being at a liveable amount, the method for adjusting these rates over time needs revision. These rates are adjusted with changes in the cost of living measured by the Consumer Price Index (CPI). This is in contrast to the Age Pension which is adjusted by the greater of the movements in the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI) over a six-month period.²⁵

This difference in how income support payments are indexed is an example of age based discrimination. In a review into the Age Pension system in 2009, submissions highlighted that the rates of payment were not keeping pace with costs of living - in particular costs of food, especially fresh fruit and vegetables and meat, the price of fuel, and the cost of utilities, particularly electricity and water.²⁶ From this review, Age Pension rates have also been adjusted using the PBLCI to reflect the fact that CPI does not always adequately capture rising costs of living.

People on JobSeeker, Youth Allowance and other income support payments also need to cover the costs of food, fuel and utilities. The Australian Government should index these rates against living costs using the same principle. The different methods used for adjusting pensions and other payments have, over time, produced a significant disparity in payment rates²⁷ that needs addressing.

Adding to this challenge, Youth Allowance and Austudy payment rates are only adjusted once a year, on 1 January, in line with CPI movements over a 12 month period, as opposed to the two times per year for other payments.²⁸ More frequent reviews of payment rates to reflect that cost of living rises should take place regardless of what income support payment you are on, your age or education status. Regardless of your age, everyone deserves a livable income.

For young people under 21 on Youth Allowance, the lower rates of payment are compounded by lower take home pay from many jobs due to junior pay rates.²⁹ Around 57% of young people aged 20 years and under are earning less than the national minimum wage or relevant award.³⁰

²⁵ Parliament of Australia (2020), "Pension and JobSeeker Indexation". Available at: https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2020/August/Pension_and_JobSeeker_indexation

²⁶ Harmer (2009), "Harmer Pension Review 2009". Available at: https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf

²⁷ Parliament of Australia (2020), "Pension and JobSeeker Indexation".

²⁸ *ibid.*

²⁹ McKell Institute (2020), "The problem with junior pay rates explained." Available at: <https://mckellinstitute.org.au/research/articles/the-problem-with-junior-pay-rates-explained/>

³⁰ *ibid.*

RECOMMENDATION 2

Recommend that the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021 be amended to ensure that the rates of JobSeeker, Youth Allowance and other income support payments are indexed appropriately in line with living costs (i.e. in the same way as the age pension) to ensure that these payments do not fall below the cost of living.

4. Hearing from young JobSeeker and Youth Allowance recipients

Young people will be disproportionately affected by the proposed rate of JobSeeker and Youth Allowance. It is therefore crucial that young people's voices and experiences are heard by Committee members in making your recommendations to the Australian Parliament.

However, methods for parliamentary hearings and engagement are often inaccessible for young people to participate and have their views taken into account in determining critical policy decisions. We recommend that the Committee ensure that hearings are scheduled to hear directly from young people about their experiences of living on JobSeeker and Youth Allowance during COVID-19 and their concerns around the changes proposed in the Bill.

The Tomorrow Movement and FYA can assist the Committee to connect directly with young people willing to give evidence about their personal experiences and to outline the impact of the Bill's proposed changes to their income and lives.

RECOMMENDATION 3

Hold hearings to hear direct witness testimony from young people receiving JobSeeker and Youth Allowance payments.

5. Income supports should not be conditional

"I've applied for around 100 jobs and despite having experience in retail and admin I've only had five interviews. One reception job I applied for had 90 applicants! It's very disheartening, it's clear that something has to change." Hannah, recipient of Youth Allowance - aged 22

Mutual obligation requirements don't increase employability

The government's recent announcements to amend mutual obligation requirements, including the business reporting hotline and increased mutual obligation requirements,³¹ are not the changes needed to support young people seeking jobs.

The mutual obligation requirements were introduced when entry-level jobs were accessible and the labour market stronger.³² Mutual obligation requirements during a period of limited job availability, such as the current economic environment, puts pressure on individuals to apply and accept jobs that are not suitable for them, leading to skills mismatch, and individuals working under unfair working conditions.³³ These measures are ineffective at increasing employability, and can have devastating long-term consequences for participants.³⁴

There are also consequences of forcing young people to complete mutual obligation requirements, including the:

- Stigma associated with participating in the program;
- Changes in job searching behaviours (typically a reduction in job searching due to work/placement commitments needed to receive support), and;
- Type of intervention typically provided by these programs, which include general work experience instead of training and building skills and capabilities for individuals.³⁵

The Australian Unemployed Workers Union collected stories of their members' experiences with Job Services, specifically Work for the Dole. Members shared their experiences, with many stating that they were not provided with opportunities to develop skills and were treated as a lesser employee, with little to no support.³⁶ These types of experiences deter people from utilising Job Services or fully engaging with the work they have been placed in.

*"I was not allowed to be trained on the till or anything else. The only job I was allowed to do was to colour code the clothes on the racks and pick up dropped coathangers. So nothing, really. I was not allowed any breaks at all, while the volunteers got morning tea supplied and a lunch break, I was required to "work" through, though there was no actual work to be done."*³⁷

Employment services which enforce mutual obligation requirements do not increase employability and instead leave individuals desperate for a livable income. The tough obligations and conditions leave young

³¹ Ministers for the Department of Social Services (2021), "Morrison Government commits record \$9B to social security safety net." Available at: <https://ministers.dss.gov.au/media-releases/6751>

³² Employment Services Expert Advisory Panel (2020), "I want to work, Employment Services 2020 Report." Available at: https://docs.employment.gov.au/system/files/doc/other/final_-_i_want_to_work.pdf

³³ *ibid.*

³⁴ Borland & Tseng (2011), "Does 'Work for the Dole' work: An Australian perspective on work experience programmes." Available at: https://www.researchgate.net/publication/227606611_Does_'Work_for_the_Dole'_work_An_Australian_perspective_on_work_experience_programmes

³⁵ *ibid.*

³⁶ Australian Unemployed Workers Union (AUWU), "Work for the dole updates: Members Stories." Available at: <https://unemployedworkersunion.com/work-dole-updates-members-stories/>

³⁷ *ibid.*

people stranded as their payments are unexpectedly cancelled, sometimes with little warning, forcing them to live without an income for an unknown period of time.³⁸

Income supports should not be conditional. Instead, welfare programs should provide access to suitable training and safe work opportunities that guarantee secure employment.

RECOMMENDATION 4

Replace conditional welfare schemes such as mutual obligation requirements with youth-specific employment supports that leads to people finding secure work separate from receiving a livable income.

6. A Climate Jobs Guarantee

Cutting income support doesn't improve the job market. There are nine job seekers for every job available.

³⁹ The youth unemployment rate is currently 13.9% as at January 2021 - double the general rate of unemployment.⁴⁰

The Australian Government should create jobs solving the problems faced by our communities. Transitioning our energy system and preparing our cities and towns to withstand the impacts of climate change could create thousands of jobs. The Australian Government should commit to a Climate Jobs Guarantee and invest resources into solving the biggest crises of our time.⁴¹

A Climate Jobs Guarantee must guarantee anyone — regardless of age, education levels or location — a permanent, unionised job that pays a living wage. The jobs created by a Climate Jobs Guarantee must be meaningful work that enriches and serves our communities, gets us to 100% clean and renewable energy by 2030 and manages the climate impacts we can no longer avoid. This program should be administered locally so that these jobs serve real needs in communities. In particular, First Nations Communities must have control over what work happens on their Country. The jobs created by a Climate Jobs Guarantee must be public sector jobs that serve real community needs.

RECOMMENDATION 5

Commit to a Climate Jobs Guarantee to meet the dual challenges of effective job creation for young people and sustainably transitioning our energy system.

³⁸ Williams (2020), "My Youth Allowance has been cut just before Christmas." Available at: <https://www.theguardian.com/australia-news/2020/dec/24/my-youth-allowance-has-been-cut-just-before-christmas-im-confused-worried-scared>

³⁹ ACOSS (2021), "ACOSS calls on Government to do the right and smart thing on JobSeeker ahead of expected decision."

⁴⁰ Trading Economics (2021), "Australia Youth Unemployment Rate." Available at: <https://tradingeconomics.com/australia/youth-unemployment-rate>

⁴¹ Tomorrow Movement (2020), "Climate Jobs Guarantee." Available at: <https://tomorrowmovement.com/climate-jobs-guarantee/>.

About FYA

Today's generation of young people in Australia are facing unprecedented and intersecting crises. They also have the skills, insight and ambition to address them.

FYA's vision is that young people have the power to beat injustice and transform the future. In pursuit of this vision, our purpose is to back young people with the trust, resources, skills, and connections to make change.

Contact:

Lee Carnie (they/them)
Executive Director - Advocacy
lee.carnie@fya.org.au
0402 088 060

About the Tomorrow Movement

We are an unstoppable movement of young people fighting for a society with good jobs, great public services and a safe climate for all.

We are organising young people all over the country to fight for a tomorrow that works for everyone, not just big business.

Contact:

Cat Nadel (she/her)
Director
cat@youngcampaign.org
0418 375 905